



AgBiz Program

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Interview: Krum Boshkov, Professor with the Faculty of Agricultural Sciences and Food

Success is Dependent Exclusively on Investments in Quality

Investments in quality, monitoring changes in demand and eating habits, introducing new technologies and completing the cycle of production, are only some of the preconditions that agricultural producers need to fulfill in order to achieve sufficient success, says Professor Boshkov in an interview for Kapital, after his expert visit to the University of California, Davis, one of the most important universities for agricultural development

Verica Jordanova
jordanova@kapital.com.mk

- This summer, organized by the USAID AgBiz Program, which supports the growth of agriculture in Macedonia, Professor Boshkov and an AgBiz representative attended an intensive course in postharvest technologies at the University of California, Davis, one of the most important universities for agricultural development. This course presents current technologies associated with the harvest, packing practices and cold storage of agricultural products. The purpose of the visit was to acquire additional knowledge on the most current achievements in postharvest technologies that will be conveyed to our producers by means of reports, training sessions and presentations. The participants visited the largest agricultural producers, packing and storage houses, cooling facilities and markets in California, thus acquiring a complete image of the production chain for fresh fruit and vegetables in the United States, the world's largest producer with a share of 18% in the world market of agricultural products.

How much of what you saw in the U.S. can, in reality, be applied to Macedonian agriculture?

The impression is that agriculture in the U.S. has reached the highest level of technological development, which allows for complete control of production in the field and during harvest, as well as of packing, storage and distribution on the market. In addition to the high organoleptic quality of the food, the product must be safe for the consumer with respect to pollution from microbiological, biological, chemical and physical sources. The consumption of fresh fruit and vegetables changed completely during the last decades of the 20th century, when fast food was intensely marketed. Today, state institutions and marketing organizations in the U.S. have joined forces in promoting healthy, quality and safe nutrition in everyday life and, in particular, in the nutrition of young generations.

- **What are, according to you, the most prosperous agricultural segments in Macedonia? What are the prospects for more extensive production and exports of Macedonian products?**

After joining the European Union, agriculture will develop according to EU methodologies with regard to the needs of the Union and the prices on those markets. The climate as a factor significantly influences the direction of development. Generally, we have the right conditions for growing all agricultural crops, however, in the course of the last decade, Macedonia has had extreme high and low temperatures, hail, drought and floods. The climate is changing, and it is difficult to see regularities in these changes, hence it is difficult to make the right decisions. Climate changes cause catastrophic consequences for agricultural crops in the whole world, which is reflected in the high prices of agricultural products on the world stock exchange of agricultural products. Agricultural production is insecure, not only here but all around the world, and there is risk of famine and illnesses in the regions that are the most affected. We are all in the same position, facing an enormous risk in agribusiness. In such circumstances, it is clear that the risk is the smallest when growing fruits and vegetables in a controlled environment, i.e. in greenhouses and glasshouses. In terms of technology development, again the advantages are with vegetable and fruit crops. Agricultural science improves technology and marketing with incredible speed on a daily basis; and with the help of information technology, they influence every aspect of the production value chain. Changes are fascinating because a product that was interesting until a few years ago is suddenly cast out from the market by a new product. It is cost-effective and inexpensive to grow fruit such as peaches, apricots, cherries and plums, for which the State covers a significant portion of the costs of planting new trees, and which are in demand on the market, where they achieve relatively high prices. The prospects are very good for organic production, wild-grown products and wine tourism, which I hope someone will decide to develop in the Ohrid vineyards as well. We have the opportunity to grow a large variety of agricultural crops, but in order to know what to grow, we need to monitor the world agricultural stock exchange very closely, as well as the developments in the third world where agriculture is slowly transferring and developing due to cheap labor. All of the above makes sense provided that crops are produced with the superior quality, for a precisely targeted market, in determined quantities and at the right time.

- **Although all analyses show significant prospects for the Macedonian processing industry, the results are not satisfactory. Facilities are not used to their full capacity and companies are facing numerous problems. How can things become better, according to you, and how can Macedonia do what it does best – produce quality food?**

This condition cannot be generalized for all agriculture. Certain agricultural sectors are very successful, but there are also those that are not successful. I would say that the successful sectors are garden crops and tobacco. Tobacco is particularly interesting for analysis as it is an example of production organized at a European level. Production begins and finishes within one year, with a written contract between the tobacco producers and the processing plants. The enforcement of the contracts is controlled through the Ministry of Agriculture, by the State, agricultural inspection and the Tobacco Institute in Prilep. The price of cigarettes incorporates the cost for the subsidies paid to the producers. Thus, the production contributes to extra profits and there is a possibility to generate more successful and higher quality production. This is the solution for the processing industry. It is necessary to define the production chain and to plan the production of raw material, as well as its purchase, processing, negotiations between the processing facilities and the producers, the manner of payment for the raw material and, of course, the marketing of the final products. Hence, the basis of a successful production chain consists of clearly defined rules whose implementation is guaranteed by the state through its institutions. A second point for

a successful production is the construction of infrastructure of agricultural land, irrigation and drainage systems, roads, electricity and purchase centers, similar to industrial zones that would attract entrepreneurs.

- **In your opinion, is present agricultural production ad hoc, as opposed to organized and scientifically based production that would guarantee better results?**

A large number of companies cooperate with scientific institutions in the country and abroad. Scientific knowledge and new technologies are applied in agriculture. Macedonia satisfies its needs for vegetables, fruits and partially livestock farming products from its own production. There is hyper-production of grapes and wine and a small deficiency of cereals. Certain agricultural sectors are acquiring an ad hoc character when there is hyper-production or damage by natural disasters, but in my opinion a precise legislative act can solve these problems.

- **In your opinion, is the government's subsidy program producing good results and how should it develop to produce even better results?**

I am not familiar with the details of the subsidy program as it is quite extensive and covers a large number of agricultural sectors, but it does contain measures that are adopted upon proposal of experts in the pertinent areas. Of the measures that I am familiar with, there are excellent results from the subsidies for starting fruit plantations. Subsidies per kilogram of grapes sold to wineries caused the price of grapes to fall as wineries, facing an excessive offer of grapes, integrated the subsidy in the price of the grapes. Possible adoption of a proposal for subsidizing some mechanisms for promotion of wine exports would be the right thing to do as, in essence, this will stimulate entrepreneurship and will facilitate the creation of recognizable Macedonian wines and will create long-term prospects for larger exports of wine from Macedonia.

- **You are an expert in wine production and grape vine growing. In recent years, wine is one of the more successful stories in terms of exports, branding and accessing new markets. How do you assess the prospects of Macedonian wine production and what are, according to you, the critical points?**

Grape vine growing and wine production are attractive for a large number of businessmen who invested enormous funds in the development of this agricultural sector. Today, we have more than 80 wineries, with modern equipment and technology, which can be recognized for their characteristic image and wine quality. This sector was the most affected by the world economic crisis, which resulted in decreased wine consumption in developed countries. The marketing of our wines is greatly affected by wine from the third world, primarily from Chile. With top quality, low prices and huge quantities, these wines caused consequences on the world wine stock exchange that will be felt in the decades to come. It is hard to propose measures that would be beneficial for all producers and, therefore, in adjusting to the new situation, it is certain that some of the vine plantations will have to be uprooted. We are probably starting from the beginning. To achieve success, we need a strategy to be developed and transposed in the laws and regulations governing wine. European legislation, even though extensive, actually regulates and stimulates quality wine production in a very simple manner. In order to plant a new vineyard at a certain location, businessmen address government institutions with a request concerning the varieties, the technology and the marketing of the grapes that the institutions then review. Grape producers should present a contract with the wineries to which they will sell the grapes. The production of grapes and wine is restricted per unit of land, i.e. 10 tons of grapes or six tons of wine per hectare. The remaining quantity

of grapes is left on the plantation not harvested, or harvested and distilled. After the first decanting of the wine in November, agricultural inspectors inspect the quantities of produced wine, make records, take samples of the wines from the current harvest and send them to the assigned laboratories for chemical analysis and degustation mark. Based on the documentation from the laboratories and the degustation committee, the Ministry of Agriculture issues a decision for marketing of the wine with a precise description as to whether that wine meets the statutory requirements marked on the label. Thus, the country ensures production of quality wines. Whether the wine will be sold or not is a problem of the winery, as wine is a business like any other business and is subject to the rules of the market. One thing is certain: wines with superior quality will always find a market.

– What are the prospects and the opportunities of Macedonia as concerns table grapes, which appear to be neglected?

Table grape plantations are a big investment, they may even reach over 20 thousand euro per hectare in the fourth year when full harvest is expected. Growing large plantations makes sense only if the market was well analyzed and the sales were secured. At present, the risk is smaller with growing plantations of up to 2 ha, with varieties that ripen earlier, in August or between mid-July and 1 September. The produced grapes should be of superior quality and packed in luxurious packing. Generally, we have not changed anything in table grapes technology in over 15-20 years, a period in which countries that have never produced grapes became traditional producers and the main players on the international market. Changes happen with incredible speed and therefore it is best to orient our production to local and regional markets.

Lovre Ristevski, Fresh Fruits & Vegetables Value Chain and Access to Finance Manager

Improved Competitiveness of Macedonian Grapes

Macedonian producers, traders and exporters of table grapes must invest more in improving harvesting techniques, storage in cool storages, packing practices and transportation to foreign markets. Such investment means adding value to our grapes, thus increasing their competitiveness on the regional and world markets. The USAID AgBiz Program organized, in the last three years, several study visits to California and South Africa, as leading exporters of table grapes in the world, where Macedonian companies, table grapes producers, learnt about the current trends in the process of production and marketing of table grapes. We are particularly pleased with the fact that several companies that participated in these visits started applying the recommendations and the practices of their colleagues in the overseas countries. As a result of the applied recommendations and practices during and after harvest, these companies are, at present, selling grapes in Poland, Russia and the ex-Yugoslav republics.